

A CONTEMPORARY LOOK AT ORGANIZATIONS:  
ITS STRUCTURE AND ITS PEOPLE

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# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



# THESIS

A CONTEMPORARY LOOK AT  
ORGANIZATIONS: ITS STRUCTURE  
AND ITS PEOPLE

by

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March 1973

T153772

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A Contemporary Look at Organizations:  
its Structure and its People

by

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Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL  
March 1973

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## ABSTRACT

This study traces the evolution of organizations with a strong emphasis on contemporary practices. As far as organizational structure is concerned there seems to be no evolving pattern taking over predominance in industry. None of the new concepts have emerged as the best type of organizational structure. Indeed, industry seems to be using a combination of these concepts in their formal organization.

When looking at the human element in organizations however, there does seem to be an emerging pattern. Slowly, organizations are shifting to a more supportive approach in their relations with employees. This theory supplies man with Maslow's highest order needs and is seen most frequently today in project management.





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## I. FORMAL ORGANIZATION

At first glance one would think that a discussion of organizational structure and theory would be a simple outlining of facts and principles that had proven themselves through years of management practice.

Such is not the case, however. Research into the modern day writings of psychologists, management consultants, college management professors, and industrialists themselves indicate that organizational concepts are in a ferment of change. There appears to be agreement on some principles but disagreement on many more. One thing is definite--there exists no generally accepted theory of management; however, principles, or theory, become the means by which light is shed on the understanding and improvement of management practice.<sup>1</sup>

### A. IMPORTANCE OF ORGANIZATIONAL STRUCTURE

The importance of a sound organizational structure is emphasized, not only for reporting relationships, but as a tool for analysis of business performance and problems. A good organizational structure is not a panacea for industrial problems, but is a necessary foundation of any business.<sup>2</sup>

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<sup>1</sup>Henri Fayol, General and Industrial Management (New York: Pitman Publishing Corp., 1949), p. 14-17.

<sup>2</sup>Peter F. Drucker, The Practice of Management (New York: Harper and Row Publishers, Inc., 1954), p. 226.



Allen, writing for the National Industrial Conference Board, suggested the company organization charts as a logical place to start for an analysis of any firm. The charts would reveal such things as dual reporting relationships, overlapping responsibilities, unbalanced work loads, spans of supervision, promotion paths, etc.<sup>3</sup>

The importance of a sound organizational structure is duly recognized as serving a number of important uses, some of which are not readily apparent. If organization structure is so important, what does it involve?

## B. BACKGROUND RELATING TO ORGANIZATIONAL STRUCTURE

It was not until the scientific management movement, the early administrative management theorists, and the writings of Max Weber on bureaucracy that there developed a systematic body of knowledge related to the management of complex business and other organization.<sup>4</sup>

Scientific management owes its beginning to Frederick Taylor and his associates who, at the turn of the century, attempted to solve the problems of industry through the strict use of time, the technical perfection of production methods, carefully worked out incentive wage payments, and the rational organization of the entire factory based on work assignments so structured as to accomplish efficiently the main tasks of the firm.

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<sup>3</sup>Louis A. Allen, Charting the Company Organizational Structure (New York: National Industrial Conference Board, Inc., 1959), p. 45.

<sup>4</sup>Fremont E. Kast, and Rosenzweig, James E., Organization and Management: A Systems Approach (New York: McGraw-Hill, 1970), p. 60.





Taylor did not develop a broad, general theory of management. His emphasis was on making management a science rather than an individualistic approach based on rule of thumb. He set forth the new duties of management as follows: (1) develop a science for each element of a man's work; (2) scientifically select and then train, teach, and develop the workman; (3) cooperate with the men so as to ensure that all the work would be done in accordance with scientific principles; (4) divide responsibility between management and workmen.<sup>5</sup>

Scientific management was concerned with optimizing effort at the shop level. In contrast, there developed a body of knowledge during the first half of the twentieth century whose primary emphasis was on establishing broad administrative principles applicable to higher organizational levels. March and Simon refer to this body of knowledge as "administrative management theory."<sup>6</sup> Other writers call it the traditional or classical theory of management. Classical organization theory is the main subject being taught under the heading of management in business schools.<sup>7</sup>

One of the earliest exponents of a general administrative management theory was Henri Fayol. Administration, according to Fayol,

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<sup>5</sup>Frederick W. Taylor, "The Principles of Scientific Management," Scientific Management (New York: Harper and Row Publishers, Inc., 1947), p. 36-37.

<sup>6</sup>James G. March, and Herbert A. Simon, Organizations (New York: Wiley and Sons, Inc., 1958), p. 22.

<sup>7</sup>Drucker, The Practice of Management, p. 193.



could be studied by a process of abstraction and its elements established. He found these elements to be (1) planning, (2) organizing, (3) to command, (4) coordinating, and (5) controlling. Fayol's work gave to classical administrative theory the form which it has retained until the present time.<sup>8</sup>

Another point of view on classical organization is that of the sociologists who draw heavily on the work of Max Weber. The Sociologist sees the organization as a large, complex social unit in which many social groups interact.<sup>9</sup> Weber concluded that the movement of history is away from traditional modes of organization and toward increasing rationality as manifested in the spread of bureaucracy.<sup>10</sup>

Weber saw such organizations as having five major qualities which set them apart from organizations in the past.

1. Division of Labor. Tasks were broken down into the most minute particle of specialization so that even the rawest worker could master his task in the shortest time with a minimum of skill.

2. Centralization of Authority. This is simply the progressive concentration of control in a hierarchy.

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<sup>8</sup>George B. Strother, "The Social Science of Organizations," Four Perspectives (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1962), p. 10.

<sup>9</sup>Amitai Etzioni, Modern Organizations, (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1964), p. 41-42.

<sup>10</sup>Robert C. Stone, "The Sociology of Bureaucracy and Professions," Readings in Contemporary American Sociology (Paterson, N.J.: Littlefield, Adams and Company, 1961), p. 498.



3. Rational Program of Personnel Administration. Employees of a bureaucracy are selected by comparing the objective standards set by the officials of the organization for adequate performance of a job with the qualifications of the applicant for the job.

4. Rules and Regulations. Bureaucracies have well-articulated policies which are impersonally and uniformly applied by officials.

5. Written Records. For the sake of organizational continuity and for the purpose of achieving uniformity of action bureaucracies maintain elaborate records.<sup>11</sup>

Another major contributor to management thought during this period was Mary Parker Follett. She brought to her writings and speeches a vast knowledge of governmental and business administration. She presented many lectures and wrote articles which, taken together, established a philosophy of management.<sup>12</sup> She was unique in emphasizing the psychological and sociological aspects of management. She viewed management as a social process and the organization as a social system. Her ideas in such areas as the acceptance of authority, the importance of lateral coordination, and the necessity for change in an organization differed substantially from those of other writers.

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<sup>11</sup>W. G. Scott, and T. R. Mitchell, Organizational Theory, A Structural and Behavioral Analysis (Homewood, Ill.: The Dorsey Press and Richard D. Irwin, Inc., 1972), p. 11-12.

<sup>12</sup>H. C. Metcalf, and L. Urwick, (eds), Dynamic Administration: The Collected Papers of Mary Parker Follett (New York: Harper and Row Publishers, Inc., 1941).



In the 1930's Mooney, Urwick, Gulick, and Barnard were able to integrate the work of Taylor, Fayol, Follett, Emerson, Gantt, and Gilbreath to name a few of the more illustrious contributors to management theory, drawing from experience of several generations of public officials, army officers, church leaders, and of course, managers of business and thus suggested the universality of the classical principles. This universality has been maintained in such classic texts as those of Koontz and O'Donnell (1959). Barnard, for example, was able to develop a closely reasoned theory in which he brought into the forefront the role of leadership and decision making.<sup>13</sup>

The human relations movement had its recognizable beginnings on the Hawthorne experiments conducted by Mayo, Roethlisberger, and Whitehead. These experiments provided a break from the tradition of scientific management and industrial psychology which had held that illumination, work conditions, rest periods, fatigue, and other physical and physiological variables combined with strong monetary incentives were the primary factors influencing output and productivity. Social and psychological factors were now seen as being of major importance in determining worker productivity and satisfaction.<sup>14</sup>

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<sup>13</sup>Chester Barnard, The Functions of the Executive (Cambridge, Mass.: Harvard University Press, 1938), p. 16.

<sup>14</sup>Roethlisberger and Dickerson, Management and the Workers, Cambridge, Mass.: Harvard University Press, 1939, p. 185-186.





One of the first writers on organization to take a behavioral view of the subject was Chester I. Barnard. Barnard defined organization as a "system of cooperation."

Whereas classical theory implies that authority is delegated from the top down, Barnard thought of it as delegated upward:

A person can and will accept a communication as authoritative only when four conditions simultaneously obtain; (a) he can and does understand the communication; (b) at the time of his decision he believes that it is not inconsistent with the purpose of the organization; (c) at the time of his decision, he believes it to be compatible with his personal interest as a whole; and (d) he is able mentally and physically to comply with it.<sup>15</sup>

Barnard's theories were further developed by Herbert A. Simon in his book *Administrative Behavior* on the decision-making approach.

Like Barnard, Simon emphasized that the equilibrium or survival possibilities of an organization depend on its ability to induce cooperation. Simon expanded the idea of decision making into a method of actually structuring an organization. He suggested that the structure be designed through an examination of the points at which decisions must be made and the persons from whom information must be required if decisions are to be satisfactory.<sup>16</sup>

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<sup>15</sup>Barnard, The Functions of the Executive, p. 165.

<sup>16</sup>Ernest Dale, Management: Theory and Practice (New York: McGraw-Hill, Inc., 1973), p. 185-186.



The systems approach is based on the idea that all organisms, including human organizations, are systems that probably follow the same rules to some extent. Therefore, an organization should be studied, not merely as a formal arrangement of superiors and subordinates or as a social system in which people influence each other, but as a total system in which the environment, the formal arrangements, the social system, and the technical systems are all constantly interacting. The goals of a complex system such as an organization are growth, stability, interaction, and survival.

In this view, the organization is not a static arrangement of jobs that can be captured in an organization chart, but a pattern of "inputs, outputs, feedback, delays and flows."<sup>17</sup>

## C. ORGANIZATIONAL STRUCTURES

The basic type of organizational structures used to implement classical organization theory has been that of line and staff, either alone, in combination with each other, or mixed together in some other organizational form. Line and staff organization have been the basic organizational structures of American business and industry over the past few decades. (See Appendix A, page 50 for a chart depicting a typical line and staff organization).

### 1. Line Organization

The origin of line organization is unknown. It goes far back into history and is best exemplified in the military organization.

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<sup>17</sup>Ibid.



In industry the manufacturing organization best exemplifies its related activities.

The line organization derives its name from the direct superior-subordinate relationship which characterizes it. Some of the advantages of the line organization are: (1) clear-cut, direct communication channels, (2) less costly to operate, (3) clear-cut lines of authority, and (4) serves as a good training ground in a small organization.<sup>18</sup>

Some of the disadvantages are: (1) manager must know all jobs, (2) communications are restricted in that they can operate only vertically and not horizontally, and (3) it tends to create a bureaucracy.<sup>19</sup>

Line organization is considered to be best suited for smaller operations with few levels of management and where functions lend themselves to repetitive, established routines.<sup>20</sup>

## 2. Staff Organization

American students of organization generally have chosen a concept of staff which can be characterized as the "neutral and inferior instrument" concept. It is, of course, very familiar. White described it in these terms in his very influential text: ". . . line

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<sup>18</sup>Arthur W. Gutenberg and Eugene Richman, Dynamics of Management (Scranton, Pa.: International Textbook Co., 1968), p. 143-145.

<sup>19</sup>Ibid., p. 145.

<sup>20</sup>Ibid., p. 146.



authorities . . . are the central elements of any administrative system; staff and auxiliary agencies are necessary in a large and complex organization, but they are secondary. They serve the line; the line serves the people."<sup>21</sup>

Thus, "staff" in this concept is: "outside the lines of command"; "deliberate organization for thought rather than execution"; and "purely advisory."<sup>22</sup>

The concept of "neutral and inferior instrument" can be broken down to two kinds of staff.

One is the "general staff" which has no authority and acts as a liaison between departments. The other is a "specialized staff" which serves a special function and can be one of three types:

1. Advisory staff--gives guidance to other groups.
2. Service staff--performs work for other groups.
3. Control staff--regulates and constrains other groups through four forms:
  - a. Functional control where orders are issued as a result of a specialized activity such as safety.
  - b. Agency control where orders are issued in the name of the manager.

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<sup>21</sup>Leonard D. White, An Introduction to the Study of Public Administration (New York: Macmillan, 1955), p. 195.

<sup>22</sup>R. T. Golembiewski, "Toward the New Organization Theories: Some Notes on 'Staff,'" Midwest Journal of Political Science, Vol. V, No. 3, August 1961, p. 237-246.





- c. Policy control where the performance of others is judged.
- d. Procedural control where the staff acts as a policeman to see that procedures are followed.<sup>23</sup>

While there is little controversy concerning the line organization as such, the same cannot be said of staff organization. Viewpoints range from subjugating it to the line organization to the view that it will become the more powerful of the two.

Peter Drucker feels that central staff organizations represent authority without responsibility. They tend to become masters of the operation. Staff undermines the organization and impedes the performance of top management. He feels that staff functions should be under the line organization.<sup>24</sup>

Stahl has argued that the traditional concept of "staff" as advisor of, and subordinate to, "line" units at all levels, not only should not be the case and never has been the case.<sup>25</sup>

According to Golembiewski, Stahl had the right idea but he failed to take into account the revamping of traditional organization theory. Changes in the traditional concept of staff depend upon the

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<sup>23</sup>Keith Davis, Human Relations at Work, 3rd Edition (New York: McGraw-Hill, 1967), p. 174-178.

<sup>24</sup>Drucker, The Practice of Management, p. 241-245.

<sup>25</sup>O. Glenn Stahl, "More on the Network of Authority," Public Administration Review, Winter 1960, p. 20.



development of organization theory(ies) of greater specificity than as provided by the traditional principles.

The "neutral and inferior instrument" concept of staff is inadequate from a number of points of view. Primarily, the concept is a derivative from an inadequate base. The concept does not stand on any substantial proof either of its usefulness or of the degree to which it describes organization relations. Indeed, there is substantial evidence of the mischief of adhering to the concept, as in the matter of adaption to change.<sup>26</sup>

According to an article appearing in the Industrial Relations News, many line jobs will be eliminated because of new technology, thus requiring fewer line supervisors. New communication devices, such as closed circuit television and two-way radios, will eliminate many supervisors. Specialists will handle emergencies, and decision-making will take place at the top. As a result, staff jobs will increase. Technical specialists will increase and human relation activities will become a major part of top management. The staff organization will be predominant.<sup>27</sup>

Joan Woodward in her studies related to the effect of technology upon organization structure found this to be true. She found that as the complexity of technology rises, the ratio of indirect to direct

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<sup>26</sup>Golembiewski, "Toward the New Organization Theories."

<sup>27</sup>"A Revolution in Management," Industrial Relation News, (1955).



workers increases. The "burden of administrative and clerical workers grows in relation to production workers."

One thing is obvious, many companies seem to have difficulty keeping the line and staff working together harmoniously.<sup>28</sup>

#### D. CURRENT VIEWS ON CLASSICAL ORGANIZATION THEORY

As mentioned before, the principles of classical organization theory and line-staff organization have been almost sacred. They have served as the basic foundation for American industry and have served it well as witnessed by the tremendous productivity of this nation. However, due to changing conditions, many of these principles are being attacked as being inadequate for modern day industry. The pair of unity of command and one-line authority, for example, reflect two unreconciled strains of traditional organization theory.<sup>29</sup>

McGregor says the old idea of equal authority and responsibility is no longer valid. There is an inequality between authority and responsibility since there are so many things over which a manager has little or no control such as staff groups, the economy, government, customers, labor unions, etc. This in no way has diminished his responsibility to get the job done, but his authority and responsibility are not equal.<sup>30</sup>

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<sup>28</sup>William G. Scott, "Organization Theory: An Overview and an Appraisal," Journal of the Academy of Management, Vol. 4, No. 1, April 1961, p. 7-26.

<sup>29</sup>Golembiewski, "Toward the New Organization Theories."

<sup>30</sup>Douglas McGregor, The Human Side of Enterprise (New York: McGraw-Hill, 1960), p. 149-173.



Rensis Likert says that the theory that a person should have only one boss is no longer valid. He states that it was based on the authority of a supervisor to hire and fire. It was valid when man's basic needs were economic and loss of income meant a lack of food and shelter and in some cases, loss of life. Since man's needs are now of a higher order the "one man-one boss" theory is no longer a valid one on which to base an organizational structure.<sup>31</sup>

Likert advocates a structure based on overlapping groups instead of the man-to-man models of the past. He calls this a "linking-pin" function where one man is a member of more than one group and serves as the "linking-pin" between the groups. (See Appendix A, p.51 for a diagram of the "linking-pin" function). His research conducted at the University of Michigan reveals that organizational structures using the group process of supervision and decision-making are more productive and develop better employee attitudes than the concepts of classical organization theory.<sup>32</sup> (Chapter II covers this in great detail.). This overlapping group function is the basis of his attack on the "one-man-one-boss" idea. Under this system, a man must serve more than one boss since he is a member of more than one group. Likert feels this is compatible in science based management and that the usual problems caused by a man having more than one boss can be overcome in the atmosphere of supportive management.

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<sup>31</sup>Rensis Likert, The Human Organization (New York: McGraw-Hill Book Co., Inc., 1967), p. 158-159.

<sup>32</sup>Ibid., p. 50-51.





Likert's concept of overlapping group structure strikes at another facet of classical organization theory and that is the central chain of command. His overlapping group structure would encompass the line organization, and the service organization.<sup>33</sup> This type of organizational structure completely eliminates any aspect of central chain of command.

As McGregor puts it, "One day we shall draw organization charts as a series of linked groups rather than as an hierarchal structure of individual reporting relationships."<sup>34</sup>

Davis attacks classical organization theory as a whole. He feels that classical structure is weak in psychological support and that the line-staff concept is growing old. He states that service specialists are chipping away at the hierarchal structures. Technologically advanced organizations are looking for more modern structures.<sup>35</sup>

It appears that many of the concepts of classical organizational theory have outgrown their usefulness. If this is true, then what replaces these concepts as a basis for organizational structure in the future?

#### E. ANALYSIS FOR FUTURE ORGANIZATIONAL STRUCTURE

Many new, exciting concepts are being discussed as a basis for future organizational structure. Drucker probably said it best:

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<sup>33</sup>Ibid., p. 163.

<sup>34</sup>McGregor, The Human Side of Enterprise, p. 149-173.

<sup>35</sup>Davis, Human Relations at Work, p. 181-183.



First we must know what kind of structure the enterprise needs. Organization is not an end in itself but a means to the end of business performance and business results. The starting point of any analysis of organization cannot be a discussion of structure. It must be an analysis of the business.<sup>36</sup>

He lists three types of analysis. The first concerns activities.

He feels this is needed most in older businesses. The biggest problem as he sees it is the tendency to assume a prior set of functions such as marketing, engineering, production, etc. Determinations must be made as to whether some or all are needed or whether there are others that are needed. The substitution of typical functions won't do.<sup>37</sup>

The second item is decision analysis. Four factors must be considered in analyzing the decision making requirements of the firm. These are: (1) degree of futurity in decisions, (2) impact of decisions on business as a whole, (3) character of decisions, i.e., conduct, ethics, social, political, and (4) whether recurrent or rare decisions will occur. The structure should be organized so that decision making takes place at the lowest possible levels. Analyzing foreseeable decisions shows what is needed in the top management structure and what authority and responsibility different levels should have.<sup>38</sup>

Relations analysis is the third type necessary. The question must be answered about whom a manager will have to work--upward,

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<sup>36</sup>Drucker, The Practice of Management, p. 194.

<sup>37</sup>Ibid., p. 195 and 196.

<sup>38</sup>Ibid., p. 197 and 199.



downward, and sideways. This type of analysis leads to intelligent staffing.<sup>39</sup>

In analyzing an organizational structure, Drucker lists ten symptoms of malorganization which would reveal organizational deficiencies.<sup>40</sup> (These have been graphically portrayed in organization chart form and have been included as Appendix B.)

Robert R. Blake and Jane S. Mouton, developers of the Managerial Grid concepts, felt that an analysis of planning requirements for the organization must be made in order to build a good organizational structure.<sup>41</sup>

#### F. BUILDING THE FUTURE ORGANIZATIONAL STRUCTURE

In considering the requirements of future organizational structures, it appears that organizational decentralization will play an important part.

Drucker listed two types of decentralization, federal and functional, as structural principles. He regards federal decentralization (this concept has nothing to do with the government) as the most effective. Federal decentralization organizes the business according to autonomous business products. It must be organized as a business

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<sup>39</sup>Ibid., p. 200-201.

<sup>40</sup>Ibid., p. 224-225.

<sup>41</sup>Robert R. Blake and Jane S. Mouton, The Managerial Grid, (Houston, Texas: Gulf Publishing Company, 1964), p. 294.



in itself and be based on business performance and results. This type of organization must have a market of its own and be able to contribute a profit. In order to operate effectively, there must be strong parts, with a strong center, and be big enough to support its needed management.<sup>42</sup>

Functional decentralization should also be a part of future organizational structures according to Drucker. Functional decentralization organizes the business according to duties. It is essential where automation is involved and is more effective the closer it gets to federal decentralization. Even though functional, it should turn out as complete a product as possible.<sup>43</sup>

These two structural principles are complimentary and not competitive. They tend to give the manager maximum authority and responsibility with a maximum of information and decision making.<sup>44</sup> All of this is good according to Drucker.

In the article mentioned previously, "A Revolution in Management," the writer sees decentralization as the organizational arrangement of the future. He feels, however, that communications will be centralized. A very interesting analogy is given where he likens the decentralized organization of the future to the physicist's symbol for the atom. In his opinion, there will be various smaller units revolving around a central unit.<sup>45</sup>

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<sup>42</sup>Drucker, The Practice of Management, p. 209-218.

<sup>43</sup>Ibid., p. 218-221.

<sup>44</sup>Ibid.

<sup>45</sup>"A Revolution in Management," Industrial Relations News, 1955.





Davis feels that the optimum organizational structure lies somewhere between decentralization and centralization. He states that decentralization does distribute authority and responsibility to the smallest practical unit. Two major benefits were listed as a result of decentralization and these were: (1) executive development, and (2) increased feeling of significance for employees.<sup>46</sup>

Likert feels that product decentralization is not good. He states that gains resulting from specialization are lost and that new problems of coordination are created. Decentralization does not eliminate disagreement in organizations but just changes relationships of who differs with whom about what.<sup>47</sup>

One item on which there appeared to be universal agreement was that future organizational structures must allow for executive and management development. This was mentioned previously as an item listed by Davis. Drucker states that future organizations must have the scope to challenge managers and have potential for growth.<sup>48</sup> Blake and Mouton wrote that organizations should be structured so that management development will take place and afford promotion paths for them.<sup>49</sup> Future organizational structures should allow for job enlargement and job enrichment at all levels, pinpoint responsibility, promote

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<sup>46</sup>Davis, Human Relations at Work, p. 186-189.

<sup>47</sup>Likert, The Human Organization, p. 157.

<sup>48</sup>Drucker, Practice of Management, p. 218.

<sup>49</sup>Blake and Mouton, The Managerial Grid, p. 296.



managerial growth, challenge the manager, and provide a clear path for advancement according to a management program developed for a large national company.<sup>50</sup>

What other forms will the organizational structure take in the future? Organization by product lines has been discussed previously. (See Appendix A, page 52 for a typical organizational chart based on product lines).<sup>51</sup> Another type of organizational structure becoming more common is that based on geographical lines. Due to the size and diversification of so many leading companies, this has become an efficient way to organize their companies both nationally and internationally. (See Appendix A, page 53 for a typical organization chart based on geographical lines.)<sup>52</sup>

Another type of management structure becoming more widely used is that of project management or as Davis calls it, matrix organization. This type of organization is organized around a project to be completed and pulls people from all levels and functions of the regular organization. It focuses resources on a single project and permits better planning to meet deadlines.<sup>53</sup> (See Appendix A, page 54 for a typical project management organization chart).<sup>54</sup>

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<sup>50</sup>Mahler Associates, Inc., Management Process (New Jersey: 1968), Handout #17, p. 3.

<sup>51</sup>Allen, Charting the Company Organizational Structure, p. 24.

<sup>52</sup>Ibid., p. 27.

<sup>53</sup>Davis, Human Relations at Work, p. 295-297.

<sup>54</sup>Allen, Charting the Company Organizational Structure, p. 298.



Davis also mentioned two other structures that have been used on a limited basis. One is called "non-structured management." In this type, a small group is assigned a task and the members of the group determine the organization and how the work is to be performed. The other emphasizes "undefined roles." Organization charts are not used. Each person searches for and develops his own best function in the organization.<sup>55</sup>

Though somewhat of a contradiction, organizations of the future must allow for informal organizations. They are so firmly entrenched in the organization structure of companies, that they have obtained, for all practical purposes, a formal status. Informal organizations cut across hierarchal lines, give their members a sense of importance and security, provide communication channels through the "grapevine," and can retard or facilitate the production process. Organizational structures that do not integrate the formal and informal organizations will not have the smoothly operating work force that is desired.

#### G. FORMAL ORGANIZATION IN INDUSTRY TODAY

In an attempt to determine what industrial concerns are doing today as far as formal organization is concerned, telephone interviews were conducted with several executives of the Monsanto Company, both in Pensacola, Florida and at their world headquarters in St. Louis, Missouri. Recent re-organizations have taken place at their Pensacola

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<sup>55</sup>Davis, Human Relations at Work, p. 298.



plant and within their functional division. (See Appendix C for a listing of the questions used in the interview.)

The first interview was with L. L. Watkins, Superintendent of Personnel and Industrial Relations at Monsanto's Pensacola plant concerning a re-organization of the top management levels of the plant.

He stated that there were three objectives behind the re-organization.

These were:

1. To reduce the span of control of the Plant Manager. Previously there were 15 department heads on his staff. This was reduced to five people consisting of three General Superintendents, Mr. Watkins, and the Plant Accountant.
2. To create functional groupings. All manufacturing operations were grouped under one General Superintendent, technical operations under another, and service functions under another. The personnel and accounting functions were retained as separate entities.
3. To get production and engineering under the same General Superintendent. Coordination between these groups was somewhat difficult at the time so it was felt that by having them responsible to the same person this could be improved.

The organizational concepts involved here are self-evident.

Though too early to tell, Mr. Watkins feels this will be a much more efficient organization.

The second interview was held with E. P. Williamson, Plant Engineer at the Pensacola plant. Some months ago a project group had been established in the Engineering Department to handle special construction projects previously performed by outside contractors. Mechanics were pulled from all functional groups such as electricians, welders, riggers, pipefitters, etc., to do this work. Mr. Williamson





stated that the project group had worked very satisfactorily and that their activities would probably be expanded in the future. Though this is not "project management" in the normal sense, the concept is the same.

The Textiles Division of Monsanto (of which the Pensacola plant is a part) was re-organized along product lines. Mr. R. C. Reese, Division Personnel Director, was contacted as to the reasons behind this. The reasons given read like the items listed previously under Drucker's federal decentralized concepts. They included such items as allowing the product groups to act as businesses within themselves, to deal with their own markets, and to make their respective profit contributions. According to Reese, the structure appears to be working well.

The final interview was held with J. W. King, Director of Governmental Affairs for Monsanto in the Southwest Region of the United States. This group is obviously organized along geographical lines. In discussing the reasons for this, King gave one basic reason. Each region generally has common characteristics, interests, and goals. The Southwest region is different from the Northeast in the types of products produced for example.

If Monsanto can be considered to be representative of large industry in this country today, these interviews reveal that there is no one organizational structure that will suffice for a company.



## II. MANAGEMENT OF THE HUMAN ELEMENT

### A. INTRODUCTION

Of all the tasks of management, probably the single most important task is that of managing the human element. The management of the human element of an organization is the topic of this chapter.

Most organizations today base their organization on classical organizational theories. These theories rely on key assumptions about human behavior made in the past by well-known people in management and reflect their ideas. These points of view often vary and change as time and new theories come into acceptance.<sup>1</sup>

Until recently this qualitative approach was the major, if not the only, source of knowledge on how to organize and run an organization. Today, research on leadership, management, and organization by social scientists provides a much more stable body of knowledge as to the principles used by the more successful managers. Management can now be based on quantitative data which can easily be verified and reverified through research. Not only is the body of knowledge more stable and accurate, but it is likely to grow continuously as the results of additional research on management are accumulated. (See Appendix A, page 55 ).

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<sup>1</sup>Rensis Likert, The Human Organization (New York: McGraw-Hill, 1967), p. 1.



## B. SUPPORTIVE MODEL

The Institute for Social Research has conducted studies in over two hundred U.S. firms involving thousands of managers and tens of thousands of employees. These studies have revealed that the highest producing managers in American firms are using, on the average, the same basic principles of managing the human organization. These principles differ in fundamental respects from the principles being used by managers who are achieving only average or poor productivity, performance and earnings.<sup>2</sup> From these findings it is possible to come up with a general organization theory which can be applied to the structure and management of any organization. This theory states that the successful manager develops a supportive atmosphere where experiences in the organization contribute to the members' sense of personal worth and importance. Consistent with this is the "Principle of Supportive Relations." Successful managers create a system that approximates the following model:<sup>3</sup>

The social system is made up of interlocking work groups with a high degree of group loyalty among the members and favorable attitudes and trust between superiors and subordinates. Sensitivity to others and relatively high levels of skill in personal interaction and the functioning of groups are also present. These skills permit

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<sup>2</sup>D. G. Bowers, "Organizational Control in an Insurance Company," Sociometry (New York: 1964), 27(2), p. 230-244.

<sup>3</sup>Rensis Likert, Testing a Theory in Yugoslavia, Speech, University of Michigan, August 1969, p. 2.



effective participation in decisions on common problems. Participation is used, for example, to establish organizational objectives which are satisfactory integration of the needs and desires of all members of the organization and of persons functionally related to it. High levels of reciprocal influence occur, and high levels of total coordinated influence are achieved in the organization. Communication is efficient and effective. There is a flow from one part of the organization to another of all the relevant information important for each decision and action. The leadership in the organization has developed what might well be called a highly effective social system for interaction and mutual influence.<sup>4</sup>

The preceding model is labeled System Four by Rensis Likert, former Director of the Institute for Social Research at the University of Michigan. Douglas McGregor states the same premise in terms of his Theory "X" and Theory "Y"<sup>5</sup>. . . Theory "X" states that man basically dislikes work and will avoid it when he can. It also infers that the average person prefers to be directed, avoids responsibility, has little ambition and wants security above all else. This is the traditional theory of management.

Theory "Y" states that man basically enjoys work, actively seeks responsibility, and is very ambitious. People will exercise

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<sup>4</sup>Rensis Likert, New Patterns of Management (New York: McGraw Hill, 1961), p. 51.

<sup>5</sup>Douglas McGregor, The Human Side of Enterprise (New York: McGraw Hill, 1960), p. 1.





self direction and self control in the achievement of organized-objectives to the degree that they are committed to those objectives. Management policies and practices greatly affect this degree of commitment.

Above all, the assumptions of Theory "Y" point up the fact that the limits of human cooperation in the organization are not limited by human nature, but of management ingenuity in discovering how to develop its human resources. The traditional Theory "X" gives management an easy out for ineffective organizational performance: it is due to the nature of the human resources with which it must work. Theory "Y" would place this problem in the lap of management. If employees are lazy, indifferent, unwilling to take responsibility, Theory "Y" implies that the causes lie in managements methods of organization and control.

A significant change from the Classical Organization theory by the supportive manager is the use of group decision making and supervision in the management of his work group.

The traditional organization does not use a group form of organization. It utilizes a man-to-man model of interaction, i.e., superior-to-subordinate. In such an organization the president has full authority and responsibility. The president in turn delegates specific authority and responsibility to his Vice President and holds each accountable. The Vice President in turn can do the same thing right on down through the organization. The entire process involves man-to-man interaction.<sup>6</sup>

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<sup>6</sup>Likert, The Human Organization, p. 50.



The view that a person can have only one superior and should be given orders by him and no one else is based on "hire and fire" authority.<sup>7</sup> This theory relies primarily on the economic needs of man. The basic assumption under the classical organization theory is that when an organization buys a man's time it buys control over his behavior. In the early 1900's when man relied on economic needs this was probably a valid theory. Today, however, many studies have shown that supervision based on economic needs and control by use of "have to" motivation produces hostility of subordinate to superior and to the organization and its objectives.<sup>8</sup> When subordinates are reporting to one boss we see subordinates often using peers to get ahead with the superior.

In participative management you are not only responsible to the superior but also to those with whom you work.

Participative management uses an overlapping group form of structure with each group linked to the rest of the organization by means of persons who are members of more than one group. Thus in this model we have interaction between subordinate and subordinate, as well as between superior and subordinate. At each level within the organization all subordinates in a group who are affected by the outcome of a decision are involved in it. This is called the "linking-pin"

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<sup>7</sup>K. K. White, Understanding the Company Organization Chart (New York: American Management Association, 1963), p. 36-41.

<sup>8</sup>Likert, The Human Organization, p. 150-159.



function.<sup>9</sup> (See Appendix A, page 51 for a diagram of the "linking-pin" function).

The group method of decision making should not be confused with committee work. In a committee, usually a clear cut decision on a certain problem is never reached and even if a clear cut decision was reached it may not be implemented by the organization. In the group method the supervisor is accountable for all decisions, for their execution, and for the results.<sup>10</sup> Thus, the supervisor is responsible for building his subordinates into a group which makes the best decisions possible.

An important aspect of the participation model of management is that this form of management is the logical way to motivate employees. According to Maslow, man has a hierarchy of needs which he strives to fulfill.<sup>11</sup>

Haire has summarized the limited research in this field with the following words:

To put it into business terms, the basic needs for security and the satisfaction of physical demands are largely met by the first levels of pay. Once these are satisfied and there is some security in their future satisfaction, the system

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<sup>9</sup>Ibid., p. 50.

<sup>10</sup>Ibid., p. 51.

<sup>11</sup>Keith Davis, Human Relations at Work, 3rd edition, (New York: McGraw Hill, 1967), p. 36-37.



progresses to demands for social satisfactions, for example, of affiliation and loyalty, [next] to egoistic satisfactions of esteem, understanding and recognition, and finally to a demand for self-actualization and growth.<sup>12</sup>

The philosophy of participative management has been attacked from various quarters as being, among other things, inconsistent, insincere, and ineffective since, in practice, autocratic or manipulative methods are often used to induce people to participate. It has also been attacked as blurring responsibilities and permitting decisions to be avoided. In a sense, participation emphasizes equality and conformity while delegation encourages achievement and individualism.<sup>13</sup> Participative managers are charged with denying individualism which is part of our pioneer heritage by seeking an environment which exalts the group. The discipline of the boss and of the organization, which can be resisted, is replaced by the discipline of the group which becomes internalized as self discipline. As a consequence, the individual loses his personality in stifling conformity to group norms.<sup>14</sup>

#### C. PERMISSIVE OR FREE REIGN MODEL

The participative organization need not be a purely permissive system.

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<sup>12</sup>M. Haire, "The Social Sciences and Management Practices," California Management Review, Vol. 4, (Los Angeles: University of California Press, 1964), p. 72.

<sup>13</sup>George B. Strother, The Social Science of Organizations: Four Perspectives, (Englewood Cliffs, N.J.: Prentice-Hall, 1962), p. 43.

<sup>14</sup>William H. Knowles, "Human Relations in Industry: Research and Concepts," California Management Review, Fall, 1968, p. 96.





Davis says the permissive or free reign manager avoids power. He depends largely upon the group to establish its own goals and work out its own problems.<sup>15</sup> We see the group providing its own motivation. The manager exists as an outside contact to give the group the information that it needs. The manager does not contribute leadership to the group, thus free reign management ignores the manager's contribution in the same way that the classical organization ignores the group. In permissive management there is a tendency to permit different units of an organization to proceed at cross-purposes which could result in degenerative chaos.<sup>16</sup> A manager in the permissive or free reign model has no control of the group. (See Appendix A, page 57 ).

In a well-known experiment Lippitt and White found that boys working under democratic leadership were industrious and continued working after leaders left the room. Those under authoritative leadership were either rebellious or cowed into apathy while the leaders were present and ceased working the moment the leaders left the room.<sup>17</sup>

#### D. CONTROL IN ORGANIZATIONS

Data from a number of American studies suggest that the participative organization may be characterized by a system of control that

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<sup>15</sup>Davis, Human Relations at Work, p. 105-110.

<sup>16</sup>Ibid., p. 107.

<sup>17</sup>W. J. Sprott, Human Groups (Baltimore: Penguin Books, Inc. 1958), p. 32-33.



is more effective than that of the traditional organization. These studies also suggest a view of control somewhat different from that which is traditionally held. Too often control is thought of as order giving, surveillance and punishment. Control is more than these. It should be viewed as involving any means through which the behavior of persons is affected in intended ways.<sup>18</sup> Unless the intended effects on behavior are achieved, control cannot be said to exist, regardless of how much order giving is involved. Thus, while supervisors in the traditional management system may exert a good deal of pressure, this pressure may lead to resentment and resistance and to a feeling of "too much supervision."<sup>19</sup> On the other hand, supervisors may exercise substantial control by seeking cooperation through supportive behavior and the development of favorable attitudes, and through the use of groups. This is the key to leadership in System Four or Theory "Y".

#### E. POWER EQUALIZATION

Participative management has been identified in the minds of many students of organization with the notion of "power equalization."<sup>20</sup> The power equalization theory argues that participation implies

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<sup>18</sup>A. Tannenbaum, Control in Organizations (New York: McGraw Hill, 1968), p. 7.

<sup>19</sup>Likert, The Human Organization, p. 62-63.

<sup>20</sup>H. Leavitt, (ed.) The Social Science of Organizations: Four Perspectives (New Jersey: Prentice-Hall, 1963), p. 41-84.



equalizing the power of groups in an organization and that this equalization is the basis of organizational effectiveness.

The power equalization view of participation is based on the assumption that there is a fixed amount of power or control in an organization and that increasing the control exercised by one group (for example, workers) requires decreasing that exercised by another (for example, managers). Testing a theory of management in Yugoslavia (Mozina, Jerovsek, Tannenbaum, Likert, 1959) suggests that it is possible for managers to increase the control they exercise (and the control exercised by lower levels as well) by sharing some of their decision making authority with lower levels.

The following is a brief excerpt from one of the above-mentioned studies:<sup>21</sup>

The exercise of control may be viewed as an exchange of some valued resource dispensed by one person in return for compliance on the part of another. The total amount of control or power in a system may therefore be seen as a function of the amount of exchange involving compliance. This amount may change because the quantity of resources among members changes or because of a change in the rules (implicit or explicit) regarding exchange. For example, an increase in affectional ties among members may lead to the growth of social approval as a resource, because approval is valued more from liked persons than from those not liked. Hence, social systems composed of persons who like one another can, in principle, engage in a greater amount of exchange of approval for compliance than systems composed of persons who are indifferent to one another . . . . Traditional managerial approaches can be distinguished from participative by the rules (implicit or explicit) regarding the quality and

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<sup>21</sup>Tannenbaum, Control in Organizations, p. 15-16.



quantity of exchange within them. In some traditional systems employees exchange for pay; in participative systems they do so for some managerial compliance (plus pay), thus increasing the total amount of compliance (that is, control).

Managers can increase their control through increasing the control exercised by others. The participative model cannot be fully realized by giving subordinates control, or by telling them that they have authority. Participation is not simply delegation. The participative organization is a complex social system requiring high levels of understanding regarding the psychological as well as the technological, administrative and economic aspects of organizations. Because it is a more complex system than the traditional one, it is probably more difficult to establish than the conventional organization.<sup>22</sup> Plus, the participative organization requires on the part of top management commitment to the principles of participative management, including the notion that power in a system may expand. The participative system is characterized by strong, not weak, leadership, but the membership groups are not less influential than their counterparts in a weakly led organization . . . quite the contrary. The effective, participative organization is not a power equalized system; it is a power maximized system.<sup>23</sup> Vroom (1960), on the other hand, makes it clear that participation, to him, means two-way discussion and excludes delegation.

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<sup>22</sup>Likert, The Human Organization, p. 92.

<sup>23</sup>Likert, Testing a Theory in Yugoslavia, p. 8.





## F. FUTURE

In the early 1900's man was motivated by economic needs. Since the 1940's man has been motivated by the middle order needs satisfied by the supportive model of organization. As a matter of fact, in our present state of behavioral advancement, it is difficult enough to apply the supportive theory. (See Appendix A, page 56 ). In the future, man will progress to the higher needs. We will find that an extension of the supportive theory is needed. As more research is completed this will become feasible because of the expanding knowledge about people in organizations.

## G. COLLEGIAL MODEL

An extension of the supportive theory in use today with scientific and professional people in project management is called the collegial model of organization.<sup>24</sup> The collegial theory depends on management's building a feeling of mutual contribution among participants in the organization. Each employee, for example, feels that he is contributing something worthwhile to the whole and, therefore, is needed and wanted. He feels that management and others are contributing also, so he accepts and respects their roles in the organization. Managers are seen as joint contributors, rather than overhead or bosses.

The managerial orientation, and consequently the role that it plays, is the integration of all contributions. Management is an

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<sup>24</sup>Davis, Human Relations at Work, p. 292.



integrating power, not a commanding power. The employee response to this situation is responsibility, a feeling commonly found among scientific and professional employees. For example, the employee produces quality work not because management tells him to do so or because the inspector will catch him if he does not, but because he feels inside himself a social responsibility to provide his fellow man with zero-defects quality. He also feels an obligation to uphold the quality standards of his occupational group.

The employee psychological result of the collegial approach is self-discipline. Feeling responsible, the employee disciplines himself for his performance on the team in the same way that a football team member disciplines himself to training rules and the rules of the game. In this kind of environment, he normally should feel some degree of fulfillment worthwhile contribution, and self-realization, even though the amount will be modest in some situations.

Finally, the measure of the collegial employee's morale will be determined by his commitment to his task and his team. Commitment to the organization is not given primary emphasis because we can expect that most collegial employees will be cosmopolitan, having low loyalty to the employing organization, high on commitment to specialized role skills, and likely to use an outer reference group orientation.<sup>25</sup>

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<sup>25</sup>Alvin W. Gouldner, "Cosmopolitans and Locals: Toward an Analysis of Latent Social Roles-I," Administration Science Quarterly, December, 1957, p. 290.



They will, however, have an allegiance to their organization, reflecting their feeling that it is the instrument which makes their specialized labor whole by integrating their labor with the labor of others.<sup>26</sup>

#### H. UNIVERSAL APPLICATIONS

There is good reason to expect that research on leadership, management, and organizational performance will yield the same basic principles and body of knowledge regardless of the country in which the research is done. (See Appendix A, page 55 ). In all situations where high productivity is being sought, one can expect to find the same fundamental pattern of findings. There are several theoretical reasons for expecting this.

The scientific method is the same in all nations, and competently used, yields similar observations irrespective of the cultural orientations of the investigator. The available evidence does not indicate the need to have different principles of management for different cultures. Culture is a conditioning variable which influences the methods and procedures for applying the basic principles of management.<sup>27</sup> Industrialization is likely to narrow the cultural differences which may have existed among nations prior to their industrialization. Industrialization makes nations much more alike in their organizational existence. It creates large-scale enterprises with large numbers of

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<sup>26</sup>Davis, Human Relations at Work, p. 293-294.

<sup>27</sup>Rensis Likert, Improving Human Performance: Better Theory, More Accurate Accounting, Paper, August 1969, p. 2.



employees and substantial interdependence. This results in an increase in urban living and a decrease in rural life. The technologies of a given industry tend to be the same everywhere as do the socio-technical systems created to operate the industrial enterprises. These characteristics produce great forces to bring about cultural changes in countries which are industrializing. These forces are sufficiently persuasive and powerful to cause major changes in the traditional social and family organization of old, established cultures which, until industrialization, have withstood successfully previous attempts to alter them. As these changes occur in nations which are industrializing, the differences in culture among the industrial nations is likely to become progressively less. Accompanying these changes will be a trend on the part of managers in industrializing nations to rely increasingly on the same basic body of knowledge in their practice of the art of management.

Research findings as they have become available in recent years are yielding results which confirm these expectations based on theory. There is a growing body of data which indicate that the same fundamental principles yield the highest productivity and best performance in widely different countries and cultures. Managers in all industrialized and partially industrialized nations, consequently, can improve their performance by basing their management on these principles.<sup>28</sup>

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<sup>28</sup>Ibid., p. 3.





### III. SUMMARY

The object of this thesis was to trace organizational structure and the management of the human element. A look at contemporary thought in both areas is quite revealing.

In the early 1900's highly structured theories of management developed. One of these was the classical theory made up of scientific and administrative management. Classical organizational theory is being challenged as being inadequate in today's changing technology. As organizations grow larger and more complex with advancing technology, anomalies appear which can not be accounted for in classical theory. The concepts of unity of command, idealized line-staff relationships, and close supervision are well outside the limits of the classical model.

The second of the structured theories of management is the bureaucratic model. From government agencies Weber extracted the main elements of organization. It is now apparent that the main characteristics of bureaucracy can be found in any organization, public or private. Unfortunately, many organizations don't even know the principles of bureaucracy.

The human relations movement brought with it a different orientation than that used by the classical theorists. They showed that human motivation was a complex affair that could be understood by



behaviorally slanted investigations. The human relationists did not develop a new theory. Their approach to organizations was more of a modification of classical theory. The human relations approach differed from the previous theories in that it was unstructured. It also represented a quantum jump in thinking on organizations.

Systems theory has not lived up to its promise of ten years ago. Many of its concepts and analytical tools came from a number of behavioral sciences and quantitative techniques. After ten years there is still no new general theory to take the place of the old classical theory.

Today, with the advancements that are being made in management through the use of analytical tools and empirical research we are just beginning to see organizations shift to a more supportive approach in their relations with employees. This can be seen in the military over the last five year period in the many changes initiated by Admiral Zumwalt. More emphasis has been placed on the individual, his working and living conditions. The problems that are developing because of these changes seem to be caused by dysfunctions this more supportive approach has caused in the classical organization of the services. Instead of modifying the old classical theory we may need an entirely new one. In Thomas Kuhn's book, The Structure of Scientific Revolutions, states that the evolving theory is not merely an extension of the old, it is a fundamental reconstruction.

There are a number of general observations that come to light in researching the material for this thesis. These are:



1. A point that came to mind upon writing the background relating to organizational structure dealt with the development of a complex theory of organization. What was the reason Taylor, Fayol, and Weber developed their theories when they did? Could it be that this was the precise time these theories were needed? It was in the early 1900's that organizations really became complex and couldn't be managed by the rule-of-thumb method that was previously used. Supporting this point was the coincidence of having three major contributors to management theory developing their theories at about the same time independent of one another in separated geographical areas. (Max Weber in Germany, Henri Fayol in France, and Frederick Taylor in the United States.

2. One of the observations the author made in developing this thesis was the lack of references to sociologists, by the psychologists. The reverse is also true. The volumes of material dealing with organizational theory has increased to a point where it would be impossible for a single discipline (sociologists, psychologists or other social scientists) let alone an individual to keep up with even the variety of books and journals immediately pertinent to their disciplines. The result of this would seem to indicate that the sociologists for example are kept busy just sorting out and keeping up with their own literature, thus leading to the exclusion of closely related developments in other related disciplines. George Strother, in examining a fairly recent text (Haiman, 1962) found it predictably well supplied with references to Taylor,



Gnatt, Gilbreth, and Fayol. He further found that the book contained not a single reference to the names of a half-dozen sociologists (Weber, Merton, Parsons, Gouldner, Selznick, and Blau.) This is truly unfortunate as both perspectives have much to offer. The real breakthrough will come when someone integrates the works of both disciplines. When this integration is completed the author believes we will see that the two perspectives complement each other nicely and answer many previously unanswered questions.

3. Many times it was observed that the same author wrote about organizational structure and then wrote on the human element in an organization as if it were completely different. Again, any meaningful overall model of organizations should integrate the two ideas into a common theory.

4. Monsanto is considered by many people in business and industry to be a very progressive firm. Their major objectives behind reorganization were: (1) reduce the span of control, (2) to create functional groupings, and (3) to improve coordination. These sound very much like the elements which were developed by Frederick Taylor, Henri Fayol and their contemporaries in the early 1900's





#### IV. CONCLUSION

The model which seems to do the best job of linking organizational structure and the managing of people is that of Rensis Likert. Likert was concerned with the ways in which the goals of individuals and those of the organization can be made to fuse, or at least coincide to some extent. Likert's approach is based on a number of empirical studies conducted by the Institute of Human Relations at Ann Arbor, Michigan. The differences between good supervisors and bad ones are good supervisors are those whose groups achieved high productivity, and bad ones are those in charge of low-productivity groups. According to Likert, the good supervisors tend to use a participative management approach which is looked upon as a means of permitting subordinates to take part in the decision-making process and thus to enlist individual creativity and enthusiasm. In general the participative approach seems to build up the power of groups and to emphasize the dual role of the supervisor as a group member and a representative of management. These groups in turn should be linked by means of overlapping groups of supervisors. Likert believes that management should establish groups that meet these criteria rather than adhere to the traditional man-to-man pattern. It is this linking-pin method of supervision that the formal organization and the human element have in common. Strengthening the bonds of organization by the linking-pin method is believed to



ensure three-way communication (up, down, and sideways between people on the same level) and to permit each supervisor some opportunity to influence his boss. In this way, it is thought, the goals of the persons in the organization and those of the organization itself become compatible if not identical.

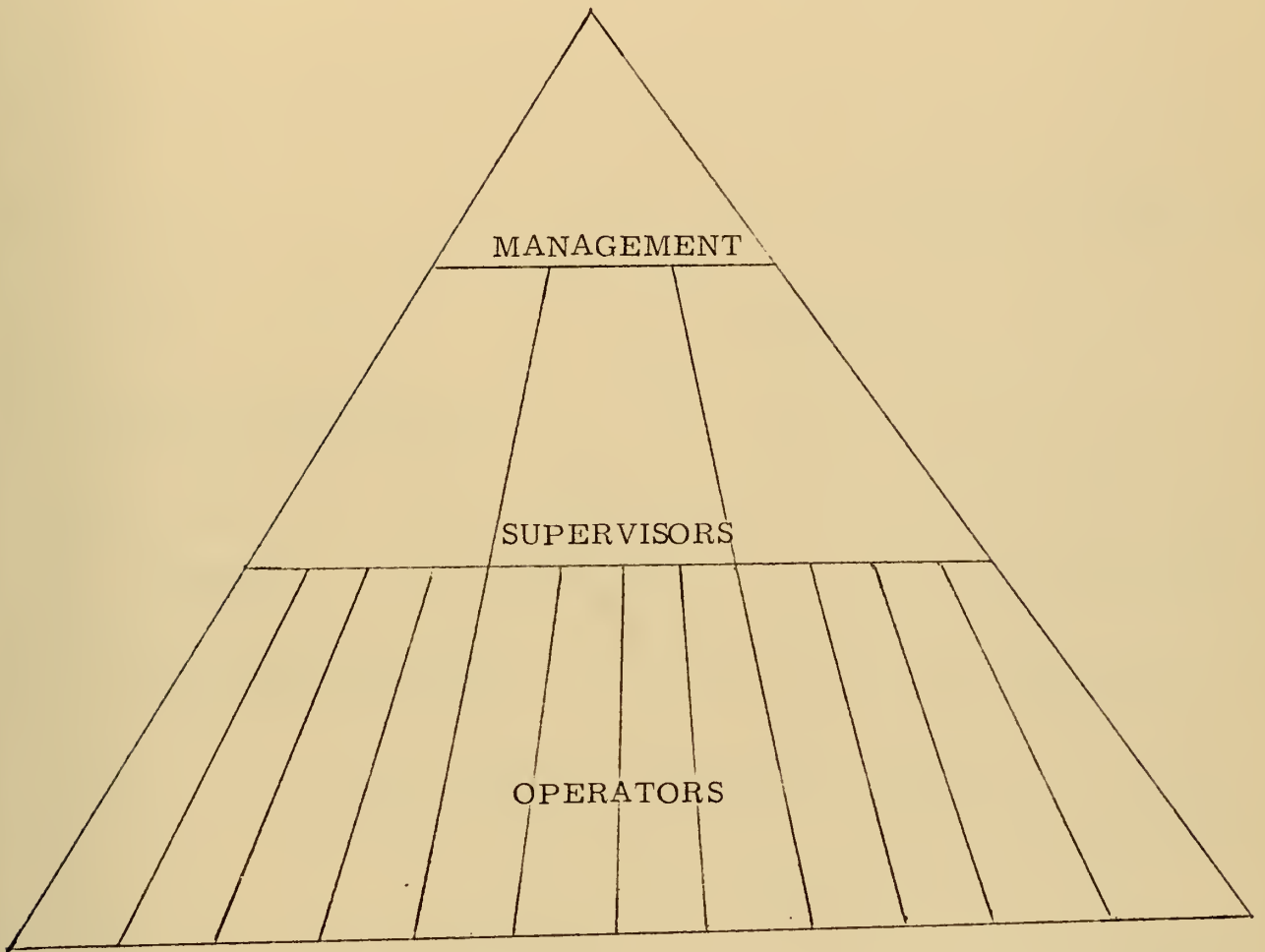
Likert's work does not go without criticism. Vroom has stated that all people do not respond to participative management. As an example he cites the authoritarian personality and the person with high atonomy. Knowles observed that inducing people to participate in management is accomplished many times by autocratic or manipulative methods. It has also been attacked as blurring responsibilities and permitting decisions to be avoided. Finally, one might be suspicious of Michigan studies supporting Michigan theories.

Looking at the overall theory it would seem that the good points far outweigh the criticisms. It appears that Likert's system four holds much promise for the future organization.



## APPENDIX A

### DIVISION OF WORK

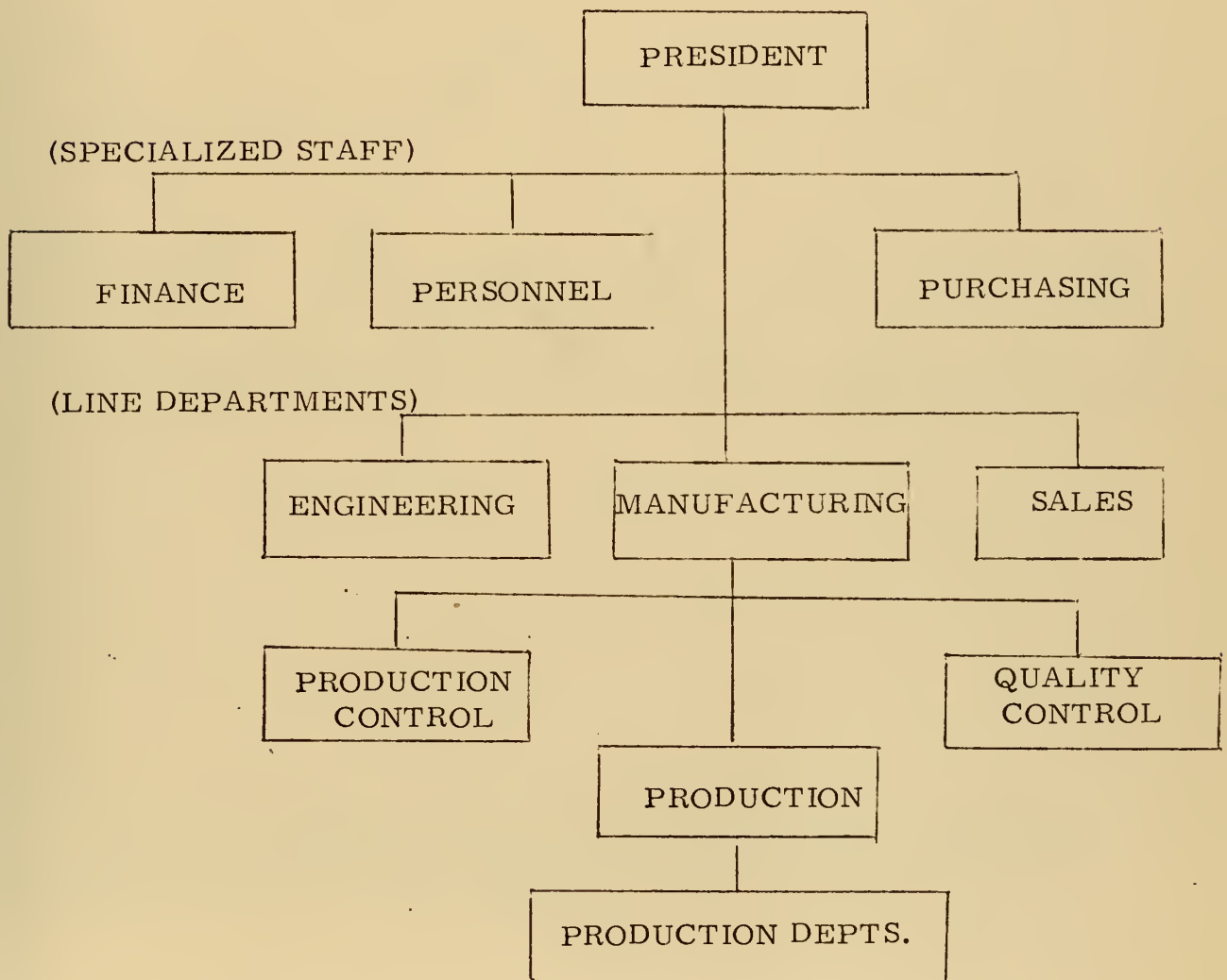


Division of work for 16 persons by means of the scalar process and functionalization.



## BASIC LINE AND STAFF ORGANIZATION

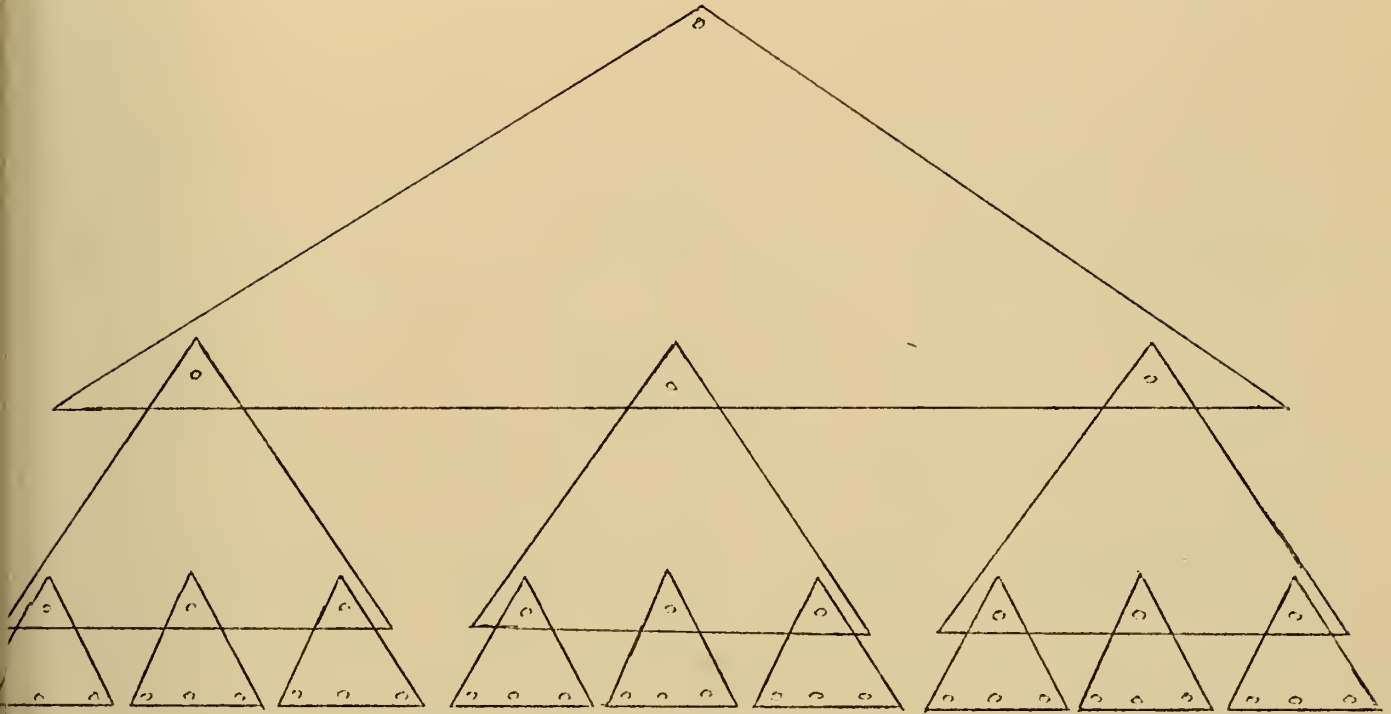
Line functions aim directly at the company's objectives. Specialized staff positions furnish advice and service to the line and other staff departments in such specialized work as finance and personnel.







## LINKING PIN FUNCTION

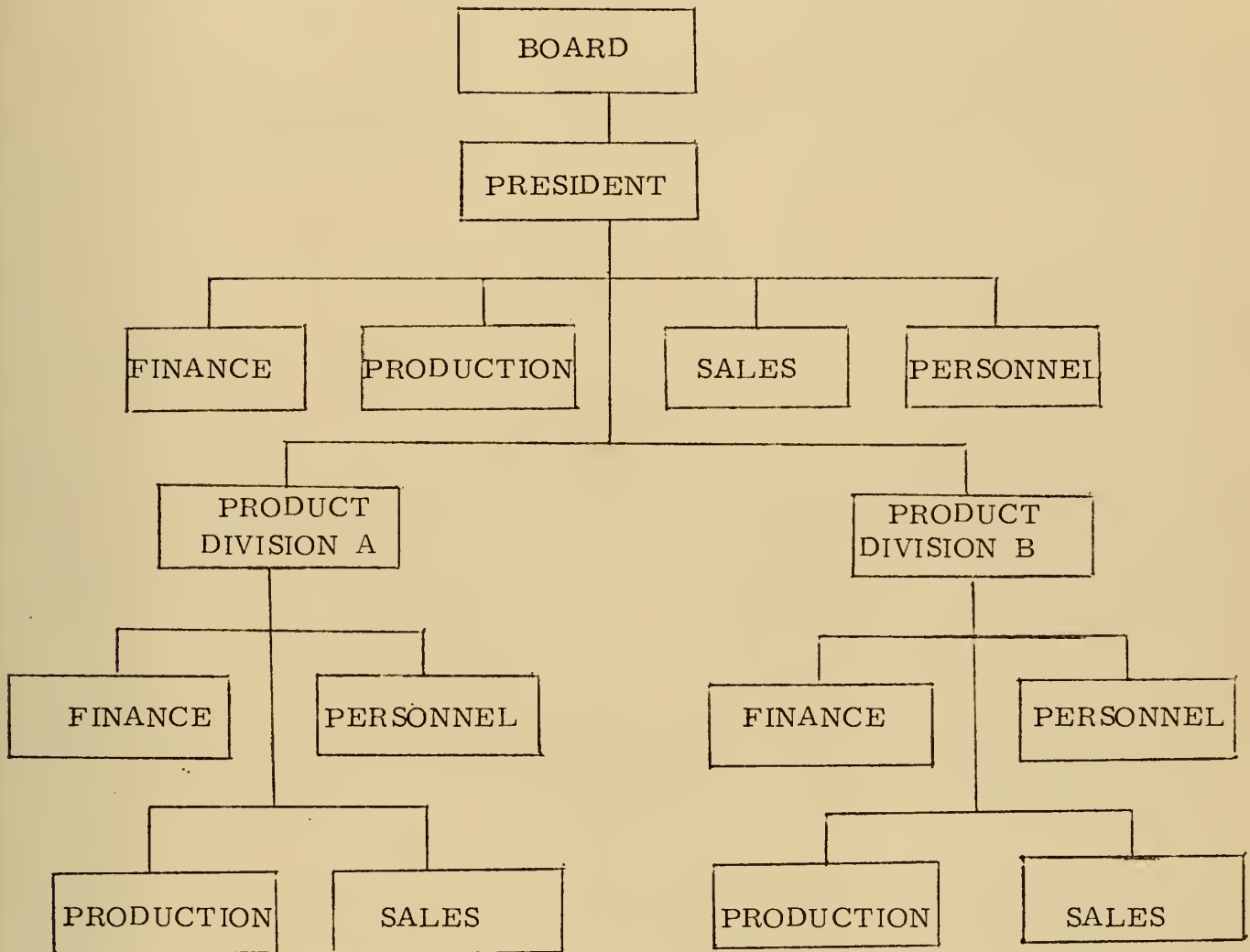


The dots represent various managerial positions and illustrate overlapping group functions. The managers are members of more than one group and serve as "linking pins" for the groups.



## BASIC PRODUCT DIVISION ORGANIZATION

Companies that are organized on a basic product division pattern group activities in terms of the product itself. Typically, each product division has its own line and staff components.

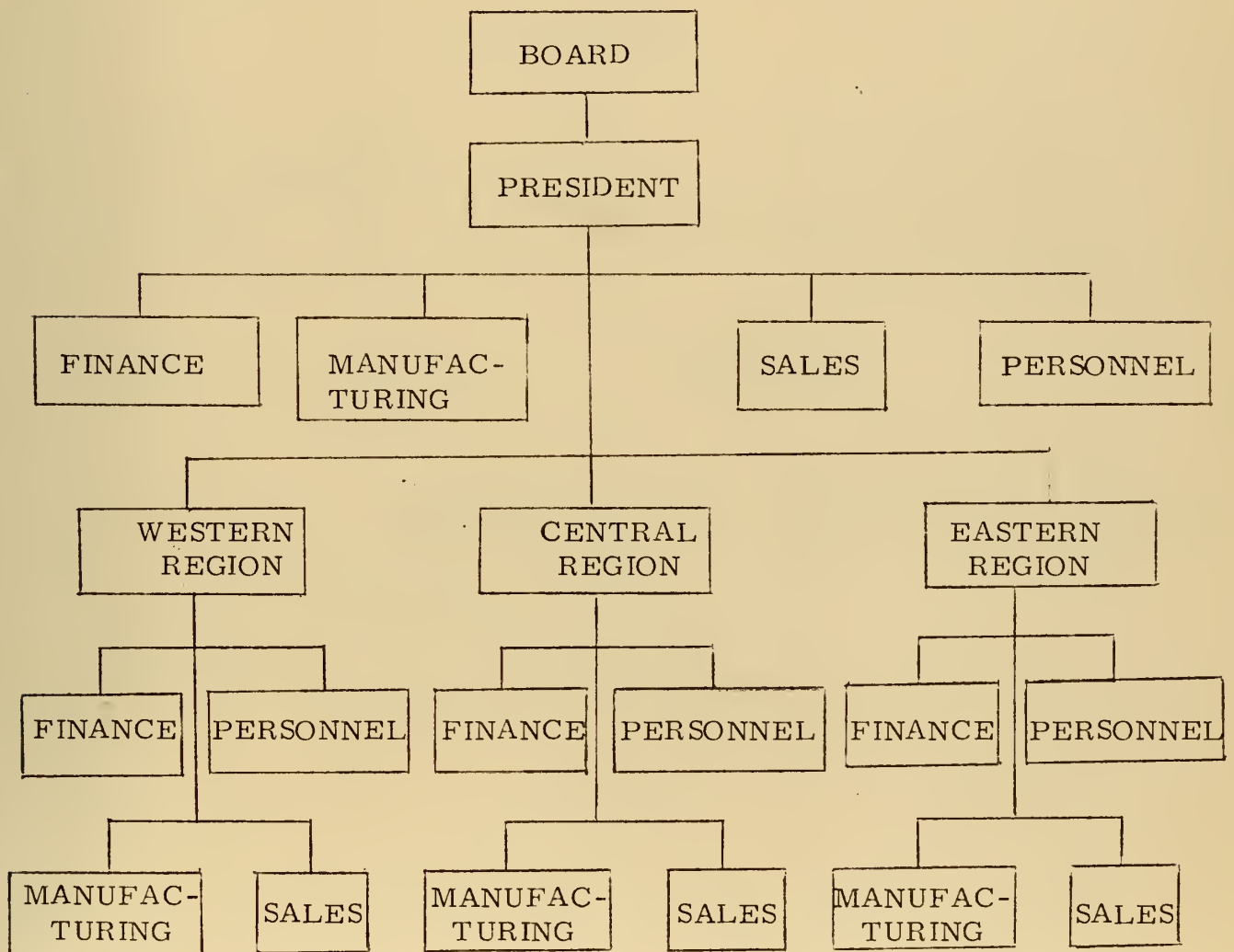




## BASIC GEOGRAPHIC DIVISION ORGANIZATION

The geographic division type of structure involves grouping of the major activities of the company in terms of the geographic region to be served. Typically, each region is capable of achieving its share of the overall company objectives--that is, it has its own operating and staff components.

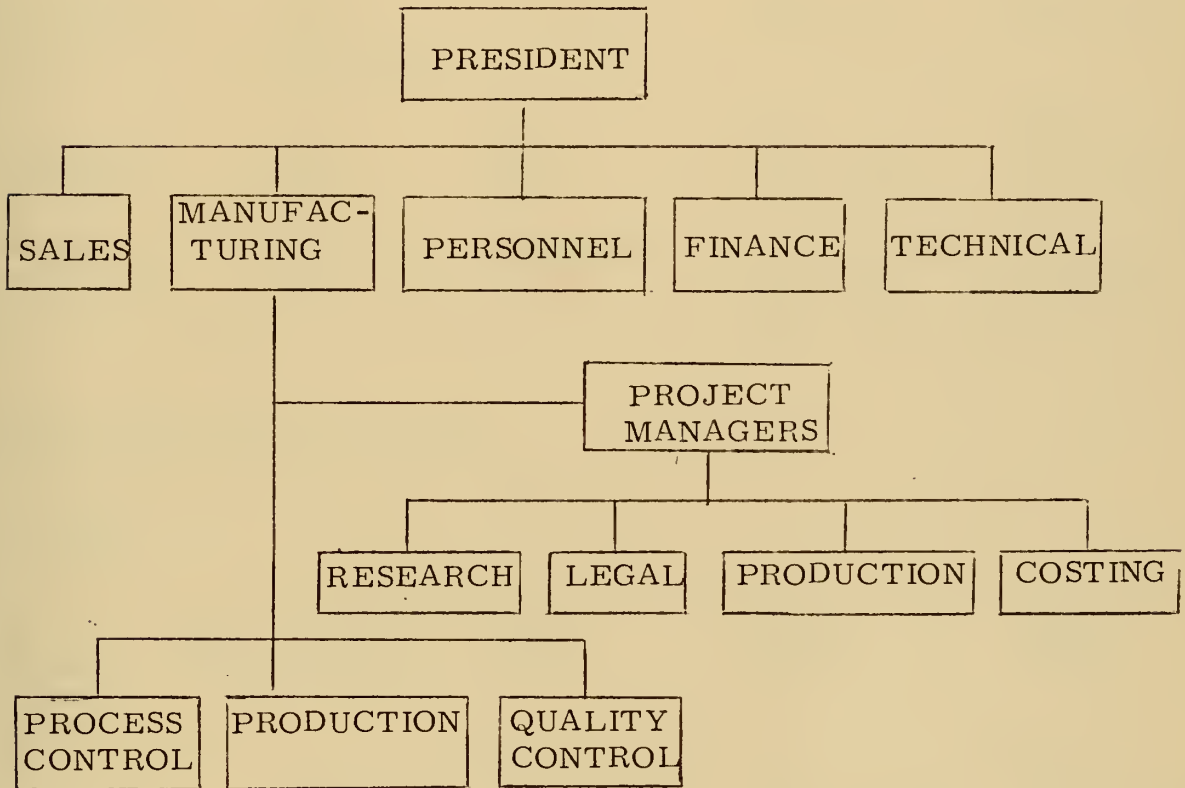
It is to be noted in this organization structure that the geographic division managers constitute the level reporting directly to the chief executive. Each geographic division has its own manufacturing and sales function, together with appropriate specialized staff departments. In practice, and like the other basic types, the geographic organization is rarely seen in as pure or complete a form as depicted. It is most common as a subtype structure within a marketing function.





## BASIC PROJECT MANAGEMENT ORGANIZATION

A project team usually operates outside of the regular organization. Its members may be drawn from all managerial levels and from many different specialities. The organization chart below is typical of such organization.







## MANAGEMENT THEORIES

	TRADI- TIONAL	SUPPOR- TIVE	COLLEGIAL	FREE-REIN
Depends on:	Economic resources	Leadership	Mutual contribution	Group
Managerial orientation:	Material rewards	Support	Integration	High reward
Employee orientation	Security	Performance	Responsi- bility	Responsi- bility
Employee psychological result:	Organiza- tional dependency	Participation	Self- discipline	Self- discipline
Employee needs met:	Lower order	Higher order	Self- realization	Self- realization
Morale measures:	Satisfac- tion	Motivation	Commitment to task and team	Commitment to group

### RELATION TO OTHER IDEAS:

McGregor's theories:	Theory X	Theory Y		
Maslow's Need-Priority model:	Safety and security	Middle-Order	Higher-Order	Higher-Order
Herzberg's factors:	Maintenance	Motivational	Motivational	Motivational
Managerial power style:	Autocratic	Participative		



## MASLOW'S NEED-PRIORITY MODEL

FUTURE	SELF-REALIZATION AND FULFILLMENT
1970's	ESTEEM AND STATUS
1940's	BELONGING AND SOCIAL ACTIVITY
1900's	SAFETY AND SECURITY
	PHYSIOLOGICAL NEEDS



POWER STYLE

CLASSICAL

SUPPORTIVE  
OR COLLEGIAL

FREE-REIN

MANAGER

MANAGER

MANAGER

EMPLOYEES



EMPLOYEES

MANAGER

GROUP

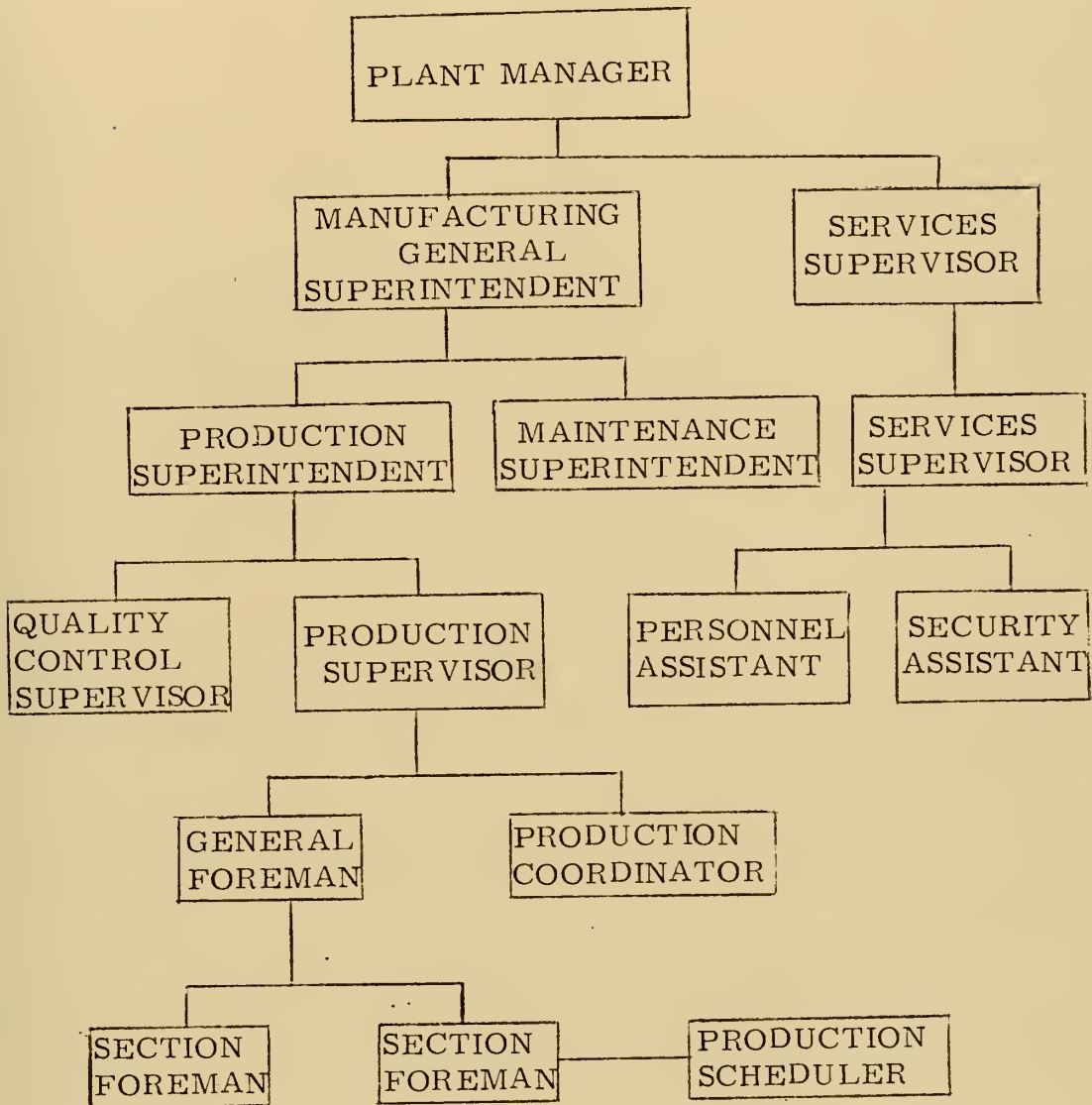
EMPLOYEES

EMPHASIS.



## APPENDIX B

### SYMPTOMS OF MALORGANIZATION "TOO MANY LEVELS"

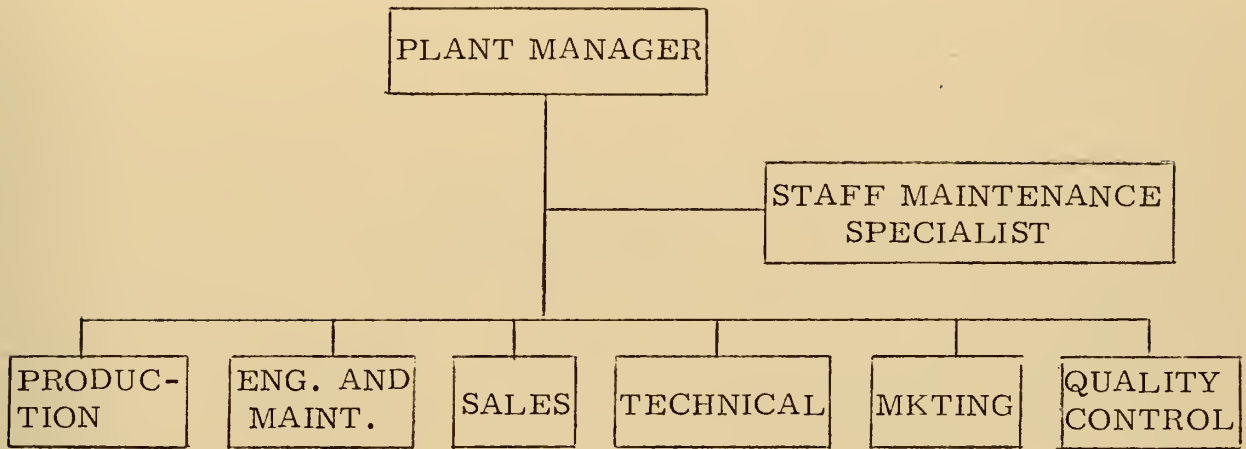


1. It causes communication difficulties; up, down and laterally.
2. It's a costly organization.
3. The Plant Manager is removed from the work. He will find the organization is not responsive and will find it difficult to get things done.
4. Authorities and responsibilities are cut so fine it needs a lawyer to spell them out.
5. Supervisors and foremen find it difficult to get approvals. Decision making is slow with a premium placed on the "status quo."





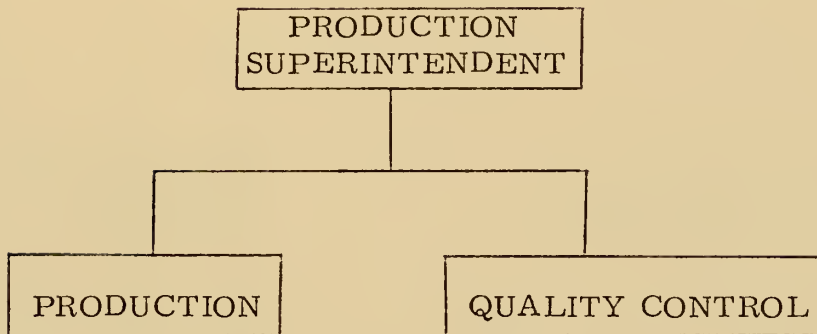
## POTENTIAL DUPLICATION



1. There is overlap and duplication of effort.
2. There is conflict between the two groups.
3. There is confusion as to whom to take a problem.
4. The authority relationship between the two difficult to define.
5. Responsibility for maintenance can not be pinned down.
6. The Plant Manager is asking for headaches.



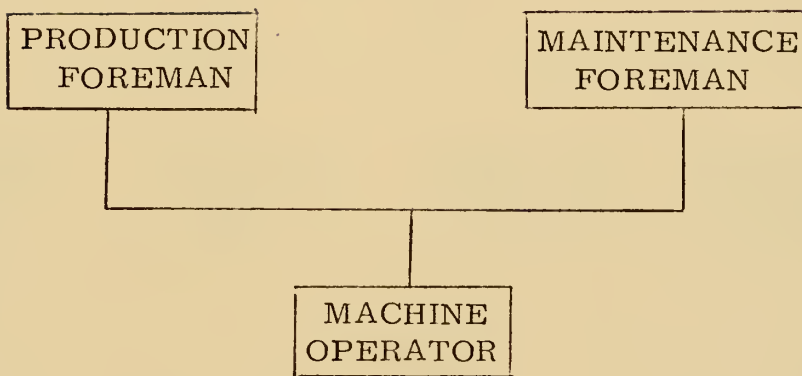
## CONFLICTING OBJECTIVE



1. Quality may be sacrificed for production.
2. The Plant Manager loses his checks and balances.
3. It may be expecting too much of the Production Superintendent to balance conflicting objectives.
4. The caliber of final inspection is lower.



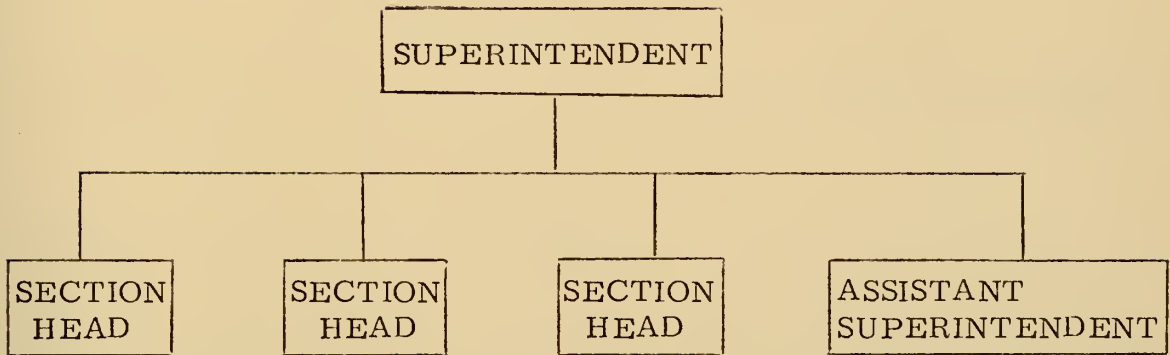
## MORE THAN ONE BOSS



1. The individual may receive conflicting orders.
2. The individual has priority problems.
3. Supervisors may get into conflict over the individual.
4. Who gives a raise? Who hires? Who fires? It's a problem.



## IMPROPER USE OF ASSISTANTS

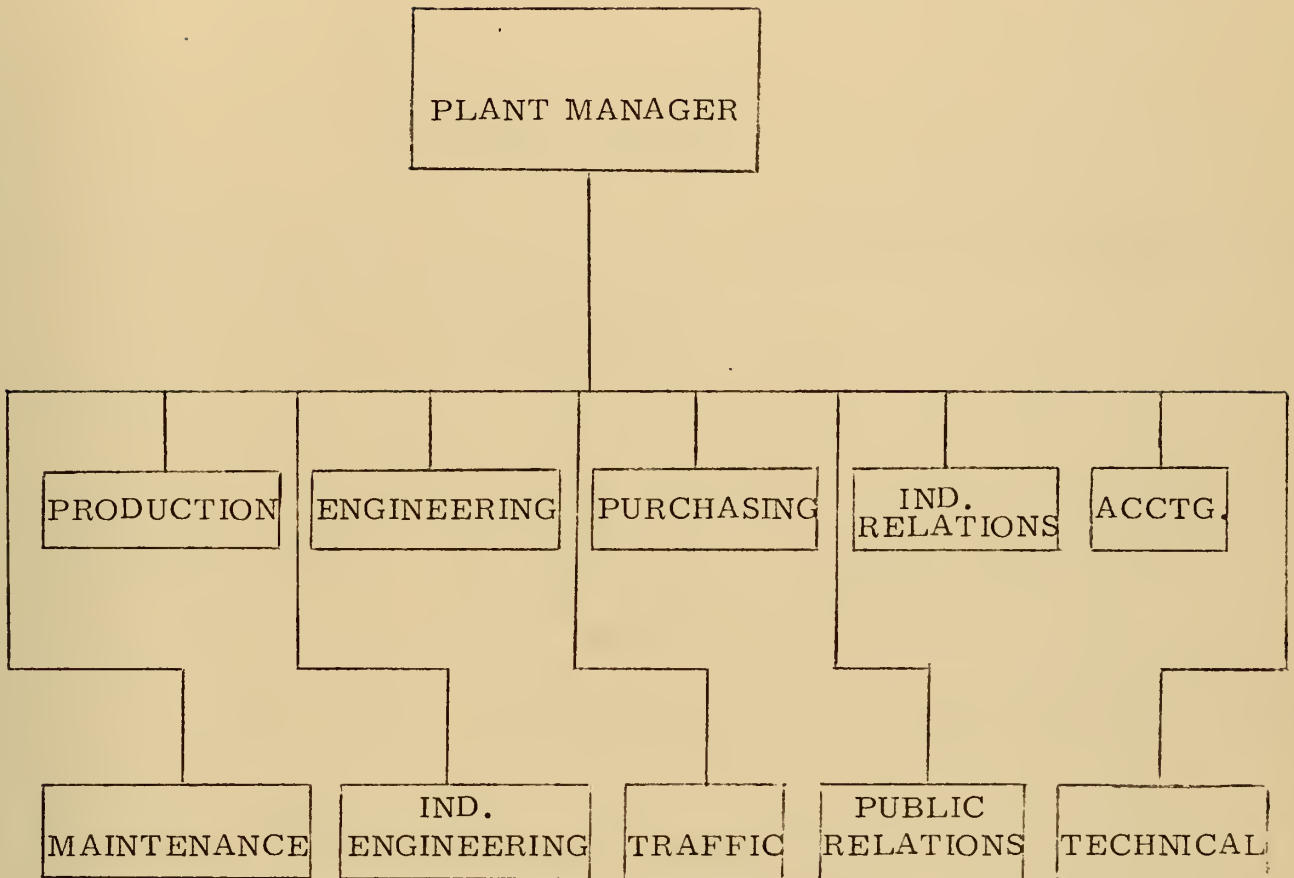


1. The role of the assistant confuses everybody.
2. Is he on the same level or isn't he? This may lead to dissension.
3. Is he an "assistant" or an "assistant to"?





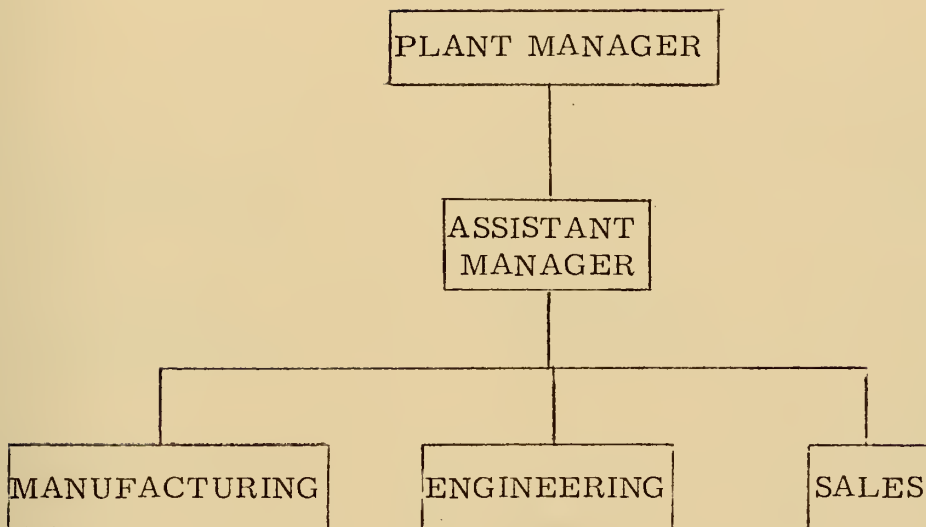
## MOSES COMPLEX



1. The Plant Manager is spread too thin and overworked.
2. One or more functions usually get neglected.
3. Coordination becomes a major problem for the Plant Manager.
4. The Plant Manager may delay decisions.



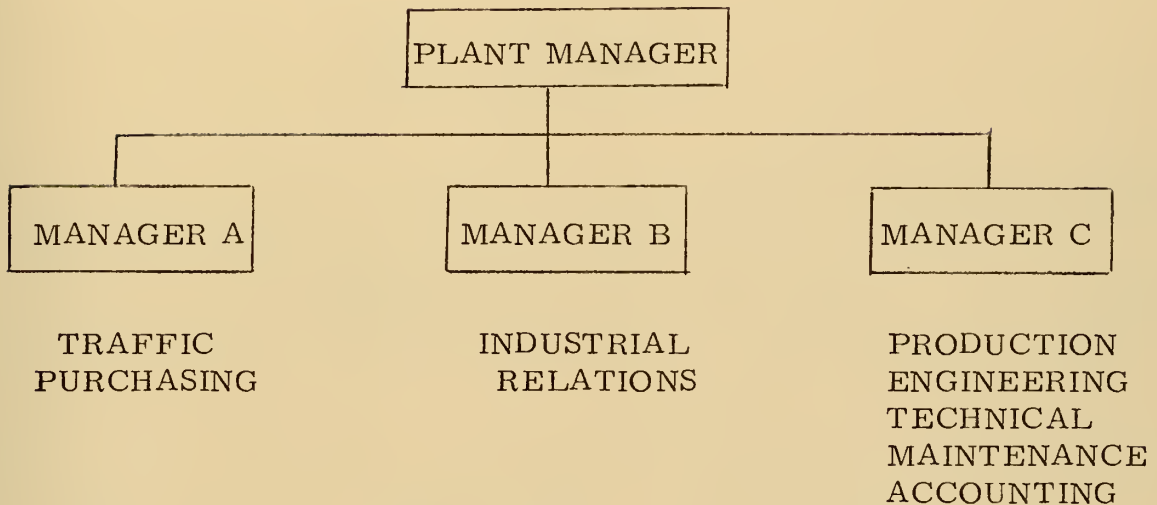
## ONE OVER ONE



1. Often the Assistant Manager is a flunky.
2. Third level managers have to get through two levels to get action.
3. Unless work is split neatly, there is constant duplication.
4. The top manager has less impact on the third level.



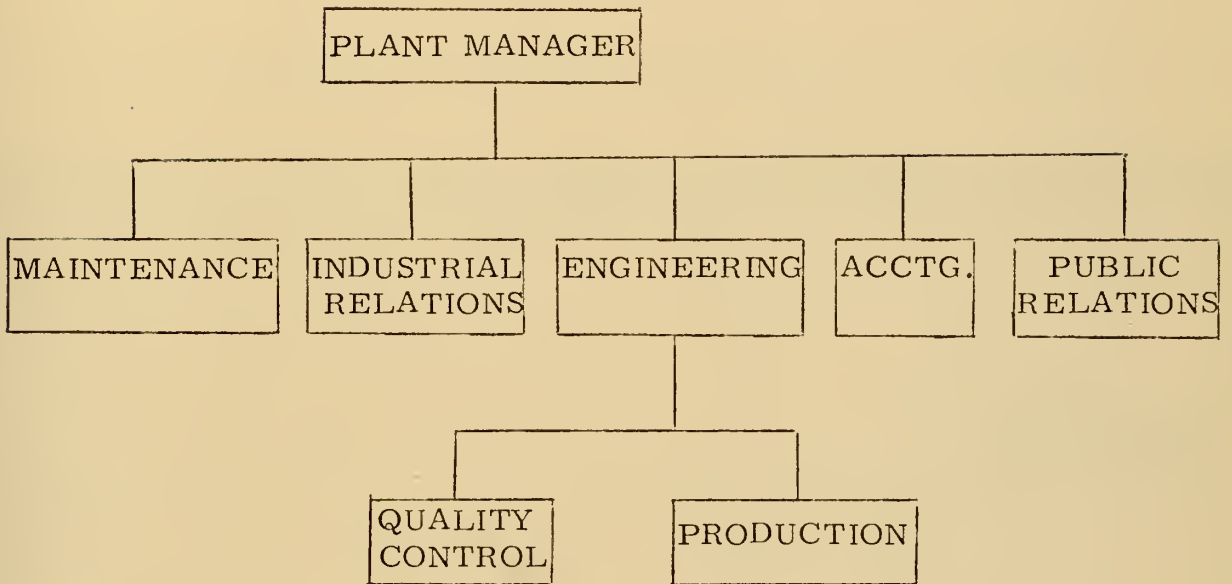
## LOADS OUT OF BALANCE



1. One man is overworked and probably underpaid.
2. Some of the functions under Manager C may get neglected.
3. Only Manager C has a chance to understudy the Plant Manager.
4. The function of Managers A and B may be over-emphasized in respect to other service functions.
5. The men reporting to Managers A, B, and C, while on the same level, certainly have responsibilities which differ quite widely.



## IMPROPER ORGANIZATION EMPHASIS

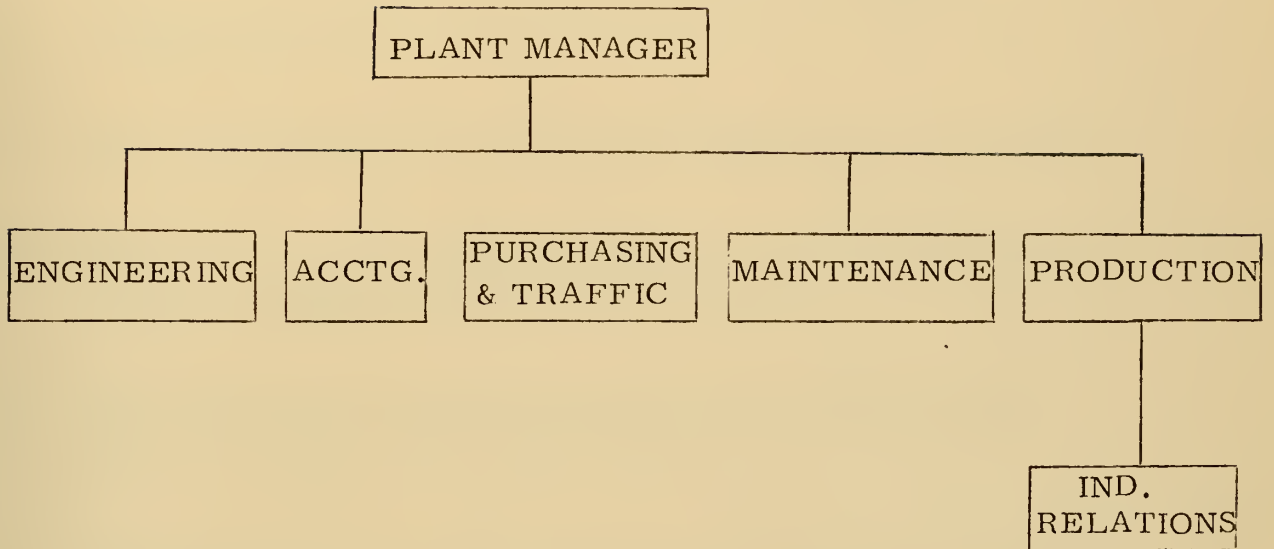


1. Production is subservient to Engineering.
2. The level of Production groups will likely mean lower salary levels; hence, difficulty in attracting and keeping talent.
3. Relationships with other functions is hampered.
4. The Plant Manager is remote from a critical function.





## MISPLACEMENT



1. Industrial Relations will likely serve only Production.
2. Production manager supervises group which serves other functions; may get into conflict of interest.
3. Industrial Relations will be handicapped in relating with managers in other functions.
4. Managers in other functions will likely try to set up their own service group.



## APPENDIX C

### INTERVIEW QUESTIONS

1. What caused the (Company-Division-Plant) to decide on reorganization?
2. Why was a particular type of organizational structure chosen?
3. What were the objectives that hopefully would be achieved in the type of organizational structure chosen?
4. How was the new organizational structure received by the people affected in the reorganization?
5. In your opinion, how well has the new organizational structure worked?
6. Do you expect it to continue?
7. Do you foresee changes being made in the structure? If so, what?



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ORIGINATING ACTIVITY (Corporate author) Naval Postgraduate School Monterey, California 93940		2a. REPORT SECURITY CLASSIFICATION Unclassified	
		2b. GROUP	
REPORT TITLE A Contemporary Look at Organizations: Its Structure and its People			
DESCRIPTIVE NOTES (Type of report and, inclusive dates) Master's Thesis; (March 1973)			
AUTHOR(S) (First name, middle initial, last name) William Jackson Coffey			
REPORT DATE March 1973	7a. TOTAL NO. OF PAGES 74	7b. NO. OF REFS 37	
9a. ORIGINATOR'S REPORT NUMBER(S)			
9b. OTHER REPORT NO(S) (Any other numbers that may be assigned this report)			
10. DISTRIBUTION STATEMENT Approved for public release; distribution unlimited.			
11. SUPPLEMENTARY NOTES		12. SPONSORING MILITARY ACTIVITY Naval Postgraduate School Monterey, California 93940	
13. ABSTRACT <p>This study traces the evolution of organizations with a strong emphasis on contemporary practices. As far as organizational structure is concerned there seems to be no evolving pattern taking over predominance in industry. None of the new concepts have emerged as the best type of organizational structure. Indeed, industry seems to be using a combination of these concepts in their formal organization.</p> <p>When looking at the human element in organizations however, there does seem to be an emerging pattern. Slowly, organizations are shifting to a more supportive approach in their relations with employees. This theory supplies man with Maslow's highest order needs and is seen most frequently today in project management.</p>			



### KEY WORDS

LINK A

LINK B

LINK C

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## Formal Organization





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